

EXHIBIT C

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

Case No. 19-30088 (DM)

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In re:
PG&E CORPORATION
and PACIFIC GAS AND ELECTRIC
COMPANY,

-----x

August 9, 2019

(Transcription from audio recording)

B E F O R E:

HON. DENNIS MONTALI

1 THE COURT: So I would like to
2 start with a report on the status
3 conference. Is that okay?

4 So by my count we have two
5 matters that were scheduled and continued
6 relating to compensation matters and then
7 we have a status conference on the report
8 from the Governor's office and CPUC. So
9 we've got Mr. Kornberg here, so that means
10 there is something to report, right?

11 MR. KORNBERG: Unfortunately
12 not enough. And, your Honor, Ms. Mitchell
13 is also here for the Governor's office.

14 Alan Kornberg from Paul Weiss
15 Rifkind Wharton & Garrison for the
16 California Public Utilities Commission.

17 Your Honor, since we were last
18 here on July 24, advisors for the
19 Governor's office and the CPUC solicited
20 views from the principal parties involved
21 in various pending exclusivity motions and
22 we did that before putting pen to paper.
23 We took into account the parties'
24 perspectives and then the Governor's office
25 and the PUC jointly distributed a competing

1 plan proposal protocol to the key parties
2 on Thursday, August 1. We made it
3 abundantly clear that it was a draft for
4 discussion purposes and that nothing was
5 carved in stone.

6 We followed up with numerous
7 calls, meetings and e-mails with the
8 parties to solicit their comments and their
9 reactions and, your Honor, we did receive
10 some very thoughtful responses.

11 Unfortunately, it became very clear, very
12 quickly, that the single most controversial
13 issue revolved around the debtor's role in
14 selecting a plan proposal. Frankly, all
15 the other matters seemed eminently
16 solvable.

17 There are some parties in this
18 case that take the position that although
19 the debtors are solvent, they should have
20 no role in selecting a plan proposal and
21 there are other parties that believe that
22 no special governance mechanisms are
23 required or acceptable despite the unique
24 and challenging circumstances of these
25 cases.

1 THE COURT: By selecting a
2 proposal, I mean, at the moment there is
3 no -- as long as exclusivity is in place,
4 the only selector is the debtor who is the
5 prospective proponent, right?

6 MR. KORNBERG: That's correct.

7 THE COURT: You mean if we open
8 up and one or more competing plans, the
9 issue is who picks the competing plan, is
10 that what you are saying?

11 MR. KORNBERG: Yes, your Honor.

12 THE COURT: You think maybe the
13 judge might have a role in that?

14 MR. KORNBERG: Your Honor, but
15 that may be at the end of the process and
16 that's what is particularly troubling.

17 By the way, your Honor, we made
18 that point repeatedly, that if there are
19 competing plans and there is no process for
20 decision-making --

21 THE COURT: Well, the law says
22 that. But even before that, well, you go
23 ahead and then I will give you my thoughts.

24 MR. KORNBERG: So very
25 unfortunately the PUC sees an apparent

1 unwillingness of some of the parties to
2 engage constructively again on this
3 issue --

4 THE COURT: No names, though.

5 MR. KORNBERG: No names, I'm
6 not going to name names, but they know who
7 they are.

8 THE COURT: But I don't.

9 MR. KORNBERG: And we will keep
10 it that way, your Honor. But that's really
11 the key issue here, which is if we are to
12 select a plan before unleashing a
13 confirmation process who is the decision
14 maker, the draft protocol that the
15 Governor's office and the PUC disseminated
16 provided for a decision-making process
17 after consultation with the key parties in
18 interest, which include the Governor's
19 office, the PUC and the official
20 committees, but there was a breakdown over
21 the issue of the debtor's role in that
22 process.

23 So I was told at one of our
24 meetings that the PUC was being naive about
25 these cases. Your Honor, I believe the

1 naiveté here is with those that want to
2 embark on a risk-laden process without
3 paying sufficient heed to the legislatively
4 mandated deadline for resolution of these
5 cases, and that is June 30, 2020. And,
6 your Honor, there are people that in this
7 process said, well, we are sure the
8 legislature will extend that deadline. I
9 don't know how they have that degree of
10 confidence.

11 It is imperative to find a
12 solution to an extremely complex set of
13 problems that will drive these cases and we
14 believe that there should be a structure
15 imposed to achieve that goal, and, your
16 Honor, there are a couple of things that
17 are worth mentioning.

18 Everybody knows about what
19 we'll be facing in the Chapter 11 cases. I
20 think there is going to be a very hotly
21 contested claims resolution process and you
22 will hear a lot more about that in the
23 coming days, and we may have three or
24 potentially more competing plan proposals
25 that could proceed to confirmation and

1 everybody knows what the confirmation
2 process looks like when you have competing
3 contested plans. But that's just the
4 proceedings in this court.

5 I want to remind people that it
6 took approximately six months for the PUC
7 to conduct its approval process for the
8 global settlement and Chapter 11 plan that
9 resolved PG&E I, six months.

10 THE COURT: Is that the
11 including the four-month mediation?

12 MR. KORNBERG: Not including
13 the four-month mediation. And, your Honor,
14 that plan and the settlement, because of
15 the mediation, were consensual. Given the
16 fact-driven quasi-judicial nature of the
17 CPUC rate proceedings, which require their
18 own evidentiary hearings, we believe that
19 the parties are not paying sufficient
20 attention to have the CPUC go about
21 conducting its public process, and that
22 public process is an essential forum for
23 ratepayer input and protection, which also
24 requires that we make the findings mandated
25 by AB-1054. How would we do that with

1 respect to multiple plans and do that
2 before June 2020?

3 And, your Honor, I'm being very
4 honest, we don't know how that could be
5 accomplished within that timeline. We will
6 give it a lot of thought. We will try our
7 hardest. But this is a somewhat baffling
8 assignment, which is part of the reason
9 that motivated us to get up on the 24th and
10 say wait a minute, let's have competition,
11 but let's have competition before we
12 proceed to confirmation.

13 THE COURT: Let me interrupt
14 you again, and I don't mean to, you know,
15 when someone says I don't mean to interrupt
16 you, they usually interrupt you. But to
17 some extent I am a gatekeeper, and maybe
18 not the right one, but if I deny
19 exclusivity, there is only one person who
20 can be the proponent, and that's the
21 debtor, right, if I maintain exclusivity.

22 But then it seems to me from my
23 point of view and not even thinking about
24 CPUC or the legislature or any other
25 agency, I have to say well, what if that

1 plan gets run aground by unconfirmable, and
2 we are months down the road. So am I
3 right? I mean, if I maintain exclusivity,
4 there is only one plan to debate. Isn't
5 that the case?

6 MR. KORNBERG: Your Honor, I
7 think it is -- that is an undeniably true
8 statement, but the effect of not permitting
9 competing plans at this stage may have the
10 effect of requiring people to actually
11 negotiate and may be the byproduct of that.

12 THE COURT: I understand that.

13 MR. KORNBERG: Would be one
14 plan that actually works and that gets done
15 by June.

16 THE COURT: But one of the
17 things that I intended to ask you today, if
18 you didn't report peace breaking out, was
19 to ask you to explain something that I
20 believe you said, and maybe it was one of
21 the other lawyers, I don't remember, but I
22 believe you said something like you don't
23 want there to be chaos, and, again,
24 sticking with my little world, it seems to
25 me that I can control a bit of the chaos,

1 at least if we oversimplify, if I allow a
2 competing plan.

3 So let's assume there are two
4 plans on the table, or three, not 20, then
5 the next big step is disclosure statement
6 here, and the court controls that. So
7 there could be -- so that doesn't -- it
8 sounds like it is complicated and
9 extensive, but it doesn't have to be
10 chaotic because the end result might just
11 be one disclosure statement, and then --
12 and then there is a natural attrition.

13 It seems to me if you get past
14 that, then the process for soliciting votes
15 can be parallel in multiple plans, and then
16 the law says what to do if there is more
17 than one accepted plan.

18 Leaving aside what is still
19 difficult and expensive, but maybe not
20 chaotic, is what if there is only one plan
21 left and then there are challenges to
22 confirmation, that's what we do. We deal
23 with objections to confirmation. So it
24 would seem to me that if we had two or
25 three competing plans, the voters would

1 have something to say with the one that
2 would survive that.

3 The court would have a
4 responsibility of picking out of more than
5 one, and you still have the confirmation
6 battle, and that's where, again, I'm not
7 suggesting that it wouldn't be difficult
8 and expensive and influenced by the clock
9 ticking for June 30th, but it's not chaotic
10 in the sense of -- I think it is my role to
11 maintain the non-chaos at least in the
12 bankruptcy arena.

13 Am I missing anything or
14 oversimplifying?

15 MR. KORNBERG: I think there
16 may be a little simplification.

17 THE COURT: Okay, that's fair.

18 MR. KORNBERG: We do agree that
19 there are various points where the court
20 can be a gatekeeper, but let's say we get
21 through the disclosure statement process
22 and we all know the law that says you don't
23 try confirmation issues in a disclosure
24 statement hearing.

25 THE COURT: I wish everybody

1 would remember that.

2 MR. KORNBERG: So assume that
3 the plans that are presented are not
4 patently unconfirmable, which I think is
5 the right standard at that point, and let's
6 say we do have two confirmation proceedings
7 teed up. Of course that's what we had in
8 PG&E I as I'm sure you well remember. And
9 there was -- but there was a confirmation
10 trial and then we were in the midst of a
11 second confirmation trial, and I didn't
12 look up how long --

13 THE COURT: 40 days total. We
14 counted them.

15 MR. KORNBERG: Of trial time,
16 your Honor?

17 THE COURT: Ms. Spratt and I
18 are victims of it. I said victims.

19 MR. KORNBERG: That is going to
20 take a while. We will probably be well
21 into the spring.

22 THE COURT: I understand.

23 MR. KORNBERG: Then we have the
24 additional problem, as I mentioned, which
25 is not your problem, but it is a problem

1 for everyone in this courtroom which is
2 meanwhile the CPUC is supposed to be
3 approving a Chapter 11 plan.

4 THE COURT: That was my
5 question to you. Does it have to be
6 sequential or can it be parallel?

7 In other words, just suppose we
8 got past the first -- next round and we had
9 competing plans that are out for
10 consideration via the voting classes, which
11 really are two classes as I see it in at
12 least the plans that have been suggested.
13 Does the CPUC have to wait or can it start
14 its process?

15 MR. KORNBERG: Our view is that
16 we have to know the plan that we are being
17 asked to approve.

18 THE COURT: So it is kind of
19 linear. The Bankruptcy Court has to what,
20 complete the confirmation before the CPUC
21 can make the final rule?

22 MR. KORNBERG: Yes. Your
23 Honor, I should really mention this, the
24 PUC proceedings, for those that are
25 unaware, are very fact-driven.

1 THE COURT: I know they are.

2 MR. KORNBERG: They are
3 quasi-judicial. There will be lots of
4 detailed testimony about issues involving
5 billions of dollars of rates. There is the
6 opportunity to cross-examine financial
7 advisors and the like and to do that with
8 respect to a plan that may never see the
9 light of day, and also just given the
10 timeline for those proceedings we are kind
11 of scratching our heads at the PUC to see
12 whether that is possible.

13 THE COURT: So leave aside the
14 June 30 deadline that the Governor and the
15 legislature have set and without
16 speculating on whether that's concrete or
17 fluid. You are saying that if we had a
18 traditional bankruptcy situation where the
19 disclosure statements are behind us,
20 whether there is one or multiple, leave
21 that aside, and we are now at a point where
22 there are plan A and plan B are out for
23 vote, that as we know, those situations
24 don't happen very often, but the voters
25 really tell us which one gets past the next

1 gate. And if both get past the next gate,
2 I believe at some point, I forget whether
3 you have to deal with objections first or
4 not, but at some point the Court has to
5 make the call on which one to select.

6 You are telling me at least the
7 CPUC couldn't finish its job and maybe
8 couldn't even start its job until we are
9 down to one survival -- one surviving?

10 MR. KORNBERG: Well, I can't
11 answer the detailed questions. What I have
12 been told is that we really have to know
13 what plan it will be. Whether you could
14 start the process without full knowledge of
15 that, I don't know.

16 But, your Honor, the idea that
17 we had and the Governor's office and the
18 PUC were promoting was instead of waiting
19 until the very -- let's say we have
20 multiple confirmable plans, rather than
21 waiting to the bitter end for your Honor to
22 decide unilateral which is in the best
23 interests, assuming that they were voted
24 on, rather than your Honor deciding at the
25 end, could we have a process at the outset

1 to determine -- to make that determination,
2 with the opportunity for people that were
3 unhappy with its decision to come back and
4 say I want you to terminate exclusivity,
5 notwithstanding the process that's embarked
6 upon here, and that was the issue that we
7 really couldn't seem to resolve. And
8 without being unduly negative today,
9 although I was accused of that already this
10 morning, we really could not get the
11 parties to listen to each other on this
12 governance issue.

13 There are people here that
14 believe your Honor is going to terminate
15 exclusivity and that they are going to get
16 what they want, and our answer to that is
17 of course even getting what you want may
18 not -- may be a Pyrrhic victory if we end
19 up with a process that extends beyond June.

20 Again, there are other people
21 who think that June deadline is not a real
22 deadline and I'm not sure of the basis for
23 that. So I'm afraid that our failure in
24 our effort, and it was a lot of work put
25 into it, doesn't really bode very well for

1 these cases unless there is some
2 significant change in approach, and the
3 Commission will do whatever it can to help
4 make that happen, but we believe that
5 people really need to think about the June
6 deadline and how we are going to make it,
7 particularly if there are several positive
8 and constructive plan proposals on the
9 table.

10 THE COURT: Well, I'm having a
11 little trouble knowing what's the best
12 message you are sending me, and maybe your
13 role is not to send me a message at all,
14 because my job is to do, you know, decide
15 what I have to decide next week on whether
16 I let one or two or more than that plans
17 compete with the debtor's plan that hasn't
18 seen the light -- I haven't seen, but I
19 have been told that it might be there, and
20 so I can't -- I can't do anything but do
21 that.

22 But it seems to me before, when
23 you asked for the continuance two weeks
24 ago, you, and the message from the
25 Governor, were welcoming competing plans,

1 and so you're not, I don't imagine, as a
2 litigant, or as a lawyer for your client,
3 you are not -- you are not changing your
4 recommendation on that, or if you are, you
5 need to tell me today.

6 MR. KORNBERG: No. Your Honor,
7 let me be very clear, our position has not
8 changed. That is because we want a
9 competitive plan process that we are here.
10 We want there to be a competing plan
11 process. I will say this again. The
12 advent of the noteholder proposal we view
13 as a very positive event in this case. I
14 think it has galvanized people in a
15 constructive way.

16 There are elements of the
17 subrogation claim holders term sheet that
18 are very attractive and interesting. The
19 debtor is making progress, we understand,
20 on their plan proposal. So the competition
21 is extremely welcome. I think the end
22 result will be better for the State, better
23 for ratepayers, better for California.

24 THE COURT: And how about for
25 the fire victims? We wouldn't even be here

1 but for the fire victims.

2 MR. KORNBERG: And better for
3 the fire victims. The more money that this
4 case attracts to solve the problem,
5 certainly the better for the fire victims.

6 So the competition is a great
7 objective. I think it is already having a
8 positive effect. The question is how do we
9 channel that competition into a process
10 that is calculated to be successfully
11 resolved by the end of June.

12 THE COURT: Okay. We come back
13 to my question, I mean, I was aware and
14 anticipated that lots and lots of people
15 were spending lots and lots of time while I
16 was waiting for this two weeks to go by,
17 and that's fine, I appreciate this being
18 done outside of my germane, but I came back
19 to the same question, is Mr. Kornberg
20 right, there is going to be chaos because I
21 allow competing plans?

22 And the answer is well, there
23 is going to be complications, but at least
24 I think the bankruptcy system is in a
25 position to deal with that form of chaos.

1 It doesn't solve the problem. It doesn't
2 solve any of these other problems. Because
3 otherwise there might as well be
4 exclusivity permanently.

5 Again, I don't care. I don't
6 have a stake in the outcome as long as
7 there is an outcome, and my fear personally
8 is what I said a minute ago, that whether
9 it is November or June 29th, I don't want
10 to then have a confirmation fight have
11 caused the deadline to miss and all the
12 ramifications to tell the victims, sorry,
13 you are not going to get paid for another X
14 days, weeks, months, years.

15 MR. KORNBERG: Well, your
16 Honor, I can't -- hopefully chaos will not
17 ensue no matter what happens here. But
18 here is the very real problem. If we were
19 to go forward with a competing plan and
20 contested confirmation proceedings that are
21 very possible, again, I think that it would
22 be very difficult, I'm not saying it is
23 impossible, but it is very difficult to
24 imagine how we will be able to sync up the
25 PUC approval process, which also has to

1 occur by June, by the end of June.

2 THE COURT: Well, again, I
3 don't want to turn this again into just the
4 two of us. I know everybody wants to be
5 heard. But to the extent that I am
6 persuaded to break exclusivity for one or
7 two at least, I will be looking to you for
8 some guidance as to what can the bankruptcy
9 system do to, you know, free up the logjam
10 so that the CPUC can act functionally; or,
11 stated differently, okay, let's suppose I
12 make the decision that I will allow two
13 competing plans, that's three, what should
14 we do for a timeline to get to the point
15 where this court and its rules, leaving
16 aside, you know, some of the unpredictable
17 things, would put the CPUC in a position to
18 know which plan is supposed to be passing
19 on or getting the public, and all the
20 things that have to happen?

21 MR. KORNBERG: So if you assume
22 that it will be another six-month process
23 in order for the CPUC to do its work and to
24 let all the intervenors be heard and have
25 all the evidentiary presentations that are

1 required, we really have to know what the
2 plan is by January. That's a very
3 simplistic answer. I'm sure I will be told
4 afterwards there are a million other things
5 that have to happen.

6 THE COURT: There probably are.

7 MR. KORNBERG: It is the best
8 answer I can give you this morning, your
9 Honor.

10 THE COURT: Does someone for
11 the Governor want to speak next? And then
12 I will just go down to the debtor, the
13 official committees and everyone else. For
14 me, this is not an action item today I
15 don't think.

16 Anyway, may I have your
17 appearance please.

18 MS. MITCHELL: Nancy Mitchell,
19 your Honor, from O'Melveny & Myers on
20 behalf of Governor Gavin Newsome.

21 I think your Honor actually --
22 and we very much appreciate the Court
23 giving us the opportunity to try to work
24 with the CPUC on a protocol. It is very
25 instructive to us, if nothing else, in

1 identifying the issues that your Honor went
2 to immediately.

3 Just to take a step back, the
4 protocol that we had worked on with the
5 CPUC essentially channeled the competition
6 to the front end. There was a selection of
7 a winning plan, almost like a plan 363
8 process --

9 THE COURT: A plan beauty
10 contest.

11 MS. MITCHELL: Yeah, exactly.
12 And then there was only one solicitation
13 which, as Mr. Kornberg says, is probably
14 easier for your Honor's court docket, it is
15 probably easier for the CPUC process.

16 THE COURT: There is no
17 question.

18 MS. MITCHELL: You could,
19 though, go the way you are talking about
20 which is to have a couple, three competing
21 plans and try to build a schedule around
22 that, and I do know, and Mr. Bray may want
23 to speak to this, I do know that the UCC
24 has been working on something that looks
25 more like that and I think part of our

1 challenge is to try to weave that together
2 with the CPUC process and the other things
3 that happened that may at the end of the
4 day be the only choice we have to achieve
5 the goal of competition in the time frame
6 that we're talking about, and so I think
7 that's something that we are all still
8 trying to grapple with, and those are, from
9 a status conference perspective, at least
10 those conversations with the UCC have been
11 ongoing and I think we need to let that
12 process play out.

13 I did want to just give a
14 little bit of perspective from the
15 Governor's office. Your Honor knows that
16 the State worked to pass AB-1054. I had
17 the pleasure of basically living in
18 Sacramento for two months while that was
19 going on. It was different. I think
20 banking on the legislature being able to
21 change the June 30th date would be an
22 unintelligent move for many of the parties
23 in the case given how hard it was to get
24 that legislation passed in the first place.

25 I did also want to point out

1 that, I know your Honor knows this, but the
2 Governor has taken the extraordinary step
3 of being active in these bankruptcy cases
4 and hiring people to show up because of the
5 critical importance of the resolution of
6 these cases to the fire victims, to the
7 ratepayers, to the workers, and to the
8 State's energy policy goals generally. And
9 in the AB-1054 process we found that the
10 creditors, the victims, the ratepayer
11 advocates were all very willing to come to
12 the table in good faith and to recognize
13 that while there was no perfect solution
14 you had to get somewhere, right, to solve
15 the problem for the fire victims.

16 I feel like I got a little lost
17 in the protocol discussion that we have had
18 the last two weeks. I understand that
19 there are significant interests bidding for
20 this company on all sides of the table. I
21 would ask them to remember that at the end
22 of the day this is about something more
23 than a little bit of return. It is about
24 getting the fire victims paid and getting
25 this company out of bankruptcy so that the

1 California energy goals can be met, and I
2 think --

3 THE COURT: I presume that
4 implicit between the lines that's the
5 Governor's goal and the legislature's goal
6 for purposes of that deadline, it is not
7 that we are going to close the case, that
8 we claimed objections and lots of other
9 stuff that is normal, it is a confirmed
10 plan that treats the fire victims however
11 they either vote to approve or, like it or
12 not, could be forced upon them.

13 MS. MITCHELL: Or however you
14 determine at the end of the day.

15 THE COURT: Well, I understand.
16 But obviously the first choice would be
17 that it is consensual. Excuse me, I
18 didn't mean to interrupt you, that -- you
19 don't speak, you aren't the Governor and
20 you aren't a party of the legislature, but
21 when we look at AB-1540, that's one of the
22 numbers, that's what it means by emerge.
23 It is not a bankruptcy emerge. It is the
24 confirmed plan.

25 MS. MITCHELL: I'm never going

1 to forget AB-1054. But yes, your Honor, so
2 the June 30th date, and I recognize I'm not
3 a walking legislative history, although I
4 kind of feel like it on that particular
5 bill, but the June 30th date really had two
6 goals, and one was fire season, while it is
7 really all year in California now, the end
8 of the summer is really when it becomes
9 challenging, so the idea was to have PG&E
10 in a position to be able to make its
11 contribution to the fund before we got into
12 the heart of the next fire season. That
13 was important to the legislature.

14 The word "resolved," which I
15 know you and Mr. Kornberg discussed at the
16 last hearing, was picked deliberately
17 because, and I think you will see this if
18 we ever submit any protocol of any type or
19 suggestion about scheduling order or
20 anything, the definition of "resolved" was
21 picked because it is possible that the
22 Court could enter a confirmation order that
23 limited conditions subsequent.

24 Obviously there will be all the
25 things that have to happen to get the cases

1 closed. But also the confirmation order
2 could have limited conditions subsequent.
3 Where you were confident that the case was
4 going to happen, PG&E could make its
5 contribution to the fund and if the
6 effective date happened later because the
7 effective date was about meeting those sort
8 of nonmaterial conditions, I would say that
9 your Honor could decide that the case was
10 resolved for the purposes that AB-1054 was
11 achieving.

12 THE COURT: Well, I don't know
13 that a federal bankruptcy court has the
14 authority to interpret state law that way,
15 but it can interpret the bankruptcy law to
16 when is it no longer debtor in possession,
17 when do the rights and the duties change,
18 but, more importantly, when do the rights
19 and duties per the plan kick in versus
20 preexisting.

21 I'm assuming -- well, I don't
22 know if you know this, Mr. Kornberg knows
23 it, the first PG&E case is still open.
24 That doesn't mean anything to anybody
25 except me and the clerk and the U.S.

1 Trustee who gets fees. But I'm assuming
2 that that's what's meant here, an effective
3 plan, or now you have clarified a little
4 further, by the debtor in position to make
5 its contribution.

6 MS. MITCHELL: And to be
7 honest, again, not a walking legislative
8 history, but it was selected to give your
9 Honor a little bit of flexibility in
10 determining when the debtor's obligation
11 under the plan were sufficiently ripe for
12 those purposes.

13 THE COURT: It probably
14 wouldn't mean we have got a hearing set for
15 disclosure statement.

16 MS. MITCHELL: No, sir. I do
17 not believe that was the legislative
18 intent.

19 Our concern at the end of the
20 day is achieving, and I think your Honor
21 went to the right questions, the Governor's
22 concern is achieving a process that does
23 allow for the June 30th date, and, look,
24 the June 30th date is about getting PG&E
25 into the fund and allowing PG&E to be

1 investment grade.

2 There are a lot of consequences
3 to that not happening. But we don't -- the
4 legislature does not legislate when the
5 bankruptcy court lets the debtor out of
6 bankruptcy. It is about the participation
7 in the fund. The Governor is concerned
8 that there be competition and that the best
9 plan comes to the table, however that gets
10 structured.

11 We recognize the challenges
12 that the CPUC has in trying to work through
13 their process. I also would say, your
14 Honor, that a process that you put in
15 place, there are other parties that have
16 expressed some interest in potentially
17 participating. I don't know whether we
18 want other plans at this point.

19 THE COURT: Well, there are
20 some people that have said open it up to
21 everybody. There are some that said if I
22 am going to open up to one, I should open
23 it up to others.

24 I can't remember, I believe
25 your office wanted the exclusivity period

1 shortened. But as I recall going back to
2 the first hearing, I don't think the
3 Governor's office or anyone else got into
4 the fine detail about who. They just said
5 open it up or extend it and I made the
6 decision that I made and then that led to
7 where we are today. At the moment I have
8 two candidates.

9 MS. MITCHELL: Right. In
10 fashioning a process, whatever it is, of
11 looking like to achieve that competition
12 and achieve the June 30th goal, I think
13 there are other people in the market who,
14 given a clear process, might like to
15 participate as well.

16 So from our perspective, not
17 chaos, it just means a process that people
18 can follow that will get us to an end date,
19 and I think the Governor really feels that
20 that needs to look exactly like the process
21 that we put out there or exactly like the
22 competing process the noteholders put in
23 there.

24 I don't know if you have any
25 other questions for me.

1 THE COURT: I guess this is a
2 question for everyone. Next Tuesday I have
3 on the table two motions to break
4 exclusivity at least for those two parties,
5 and I believe the debtor and others, lots
6 of people have weighed in on that position.
7 I can't tell you I have the exact box score
8 memorized, but at least I see it as the
9 option of saying no to everybody, in which
10 case the debtor still has exclusivity until
11 September, or say yes to one or both of the
12 moving parties, or to say open up the
13 doors.

14 Obviously anybody that knows me
15 knows I'm not inclined to do that. That
16 doesn't mean I wouldn't listen. So to the
17 extent that your office or CPUC want to
18 refine your position on that, don't be
19 bashful, weigh in, but do it on Tuesday.

20 We won't stick with the
21 traditional rules about filing something
22 today. Just this is a very fluid thing.
23 So both you and Mr. Kornberg should give me
24 an update on Tuesday if you think of
25 something that is relevant.

1 MS. MITCHELL: Happy to do
2 that.

3 THE COURT: That's not an
4 indication, by the way, for everybody in
5 the case to file something Monday night.
6 I'm just saying you two are representing
7 two of the very major players in this
8 process that are alongside of a number of
9 other major players. Okay.

10 MS. MITCHELL: So thank you,
11 your Honor. I really don't have anything
12 else, but I think I need to say -- I want
13 to again express how much we appreciate the
14 Court's efforts. This is tough and we put
15 some additional pressure on your docket.

16 I did want to say one thing.
17 The parties, and I know your Honor knows
18 this, but the parties are very, very fond
19 of quoting my client in their papers to
20 support their positions from his press
21 releases, etc. So far I actually haven't
22 seen them quote him in context correctly
23 once. But putting that aside --

24 THE COURT: Well, he chose to
25 be a politician. That goes with the

1 territory.

2 MS. MITCHELL: I appreciate
3 that. But we are here and we are speaking
4 for him, and so I think the parties quoting
5 of the Governor should probably be given
6 the deference that it deserves.

7 THE COURT: Thank you,
8 Ms. Mitchell. Let's hear from the debtor's
9 counsel first, and then we will go to the
10 two official committees. Mr. Karotkin.

11 MR. KAROTKIN: Stephen
12 Karotkin, Weil Gotshal & Manges, for the
13 debtors.

14 First of all, your Honor, I
15 will say on behalf of the debtors that we
16 are disappointed that we so far have been
17 unable to reach an agreement certainly with
18 the parties on a protocol. We don't think
19 that is necessarily all loss. I think that
20 it is still possible to reach a consensus
21 if people want to be reasonable about it.

22 I'm not here today to argue
23 exclusivity. We can do that on Tuesday. I
24 hope that other people take the same
25 position on that. I will say from the

1 debtor's standpoint we are willing to work
2 with all parties to achieve a consensus on
3 a plan.

4 As the debtor said, from day
5 one --

6 THE COURT: Will you reiterate,
7 you are also willing to work on a
8 competitive pre-plan process similar to
9 what Mr. Kornberg was referring to?

10 MR. KAROTKIN: Yes, and I think
11 there may have been some confusion about
12 what they were saying. I think they were
13 saying that the protocol that was being
14 considered over the last two weeks was in
15 the context of exclusivity remaining in
16 place. It was not in the context of your
17 lifting exclusivity and having competing
18 plans. We were trying to come up with a
19 process as to how that would work in
20 consultation with the committees to arrive
21 at something.

22 I think now some of that
23 discussion perhaps has shifted to something
24 else. But, again, that's for after
25 Tuesday, depending on what happens on

1 Tuesday.

2 As I said, the debtors are
3 willing to work with all parties to achieve
4 a consensus on a plan. We believe that the
5 debtors, as fiduciaries for all parties in
6 this case, are the best situated to do
7 that. There are a number of proposals out
8 there. In fact, if you read the newspapers
9 over the past two days, there are equity
10 holders who have now come forward and are
11 willing to commit to provide \$15 billion of
12 new financing, equity financing, in order
13 to propose a plan, and the debtors are
14 working with those people as well.

15 THE COURT: I assume, again, I
16 read the headlines, but I'm assuming that
17 there will be a motion or a stipulation or
18 something to allow that equity group to
19 step up. I can't act on newspaper
20 headlines, but procedurally, yes, the way
21 it should happen, don't you think?

22 MR. KAROTKIN: I'm not sure I
23 understand your question.

24 THE COURT: We have, as you
25 know, there are two, as I said to

1 Ms. Mitchell, there are two different
2 creditor groups that are on the table and
3 on the docket for Tuesday. What I'm saying
4 is if there is another group that wants to
5 do it, the proper procedure is to file a
6 motion to do it.

7 MR. KAROTKIN: They are
8 proposing to work with the debtors to come
9 up with a plan. But in the typical,
10 customary circumstance of how cases are
11 typically administered, as existing equity,
12 particularly in a solvent debtor, they have
13 come forward to put up \$15 billion of
14 financing.

15 THE COURT: Okay, okay, the
16 equity group put it in.

17 MR. KAROTKIN: I don't believe
18 they are seeking to file their own plan.
19 This would be a more conventional approach.

20 THE COURT: The way you
21 introduced the subject, I wasn't clear that
22 that's what -- I understand your point now.

23 MR. KAROTKIN: We can address
24 that again on Tuesday.

25 THE COURT: Let me ask you, on

1 Tuesday you will be able to give me and
2 everyone else who is not privy to these
3 private conversations a date you might have
4 a plan on file?

5 MR. KAROTKIN: Yes, sir.

6 THE COURT: You don't have to
7 say it today if you don't want to, and you
8 don't have to say it on Tuesday, but it
9 might be helpful to know.

10 MR. KAROTKIN: Yes, and we have
11 already in our pleadings, and I think you
12 alluded to it, indicated some of the key
13 provisions of that plan that we are
14 contemplating, and, again, this financing
15 would logically be a big part of this --
16 this equity financing would logically be a
17 big part of it.

18 THE COURT: Sure.

19 MR. KAROTKIN: As I said, we
20 are still willing to try to reach an
21 agreement with the parties with respect to
22 a protocol. Going forward, we think that
23 is the most appropriate way to proceed over
24 the next month or so to avoid the situation
25 that Mr. Kornberg is concerned about, and

1 to have these cases administered in a
2 typical fashion, particularly, your Honor,
3 again, I don't want to argue exclusivity,
4 but in view of the complexity of these
5 cases, the fact that you still have to have
6 a hearing, unless we can resolve the
7 wildfire claims consensually, that really
8 is a gating item for any kind -- People can
9 put forward --

10 THE COURT: You mean the
11 estimation?

12 MR. KAROTKIN: The estimation,
13 or a consensual resolution.

14 THE COURT: Of course a
15 consensual resolution is optimal, but you
16 were alluding to the estimation proceeding.

17 MR. KAROTKIN: Yes, if you were
18 to grant that motion, of course. That,
19 your Honor, really is a gating item for any
20 plan. People can propose a plan saying I'm
21 willing -- my condition is the claims can't
22 be more than this, my condition is the
23 claims can't be more than that, but any
24 plan that is realistic here, that issue has
25 to be determined first, and that issue,

1 your Honor, will dictate the necessary
2 financing to get through the Chapter 11,
3 and not to say we won't be ready to file
4 the plan, but really any plan is premature
5 until that number is fixed.

6 THE COURT: Well, Mr. Karotkin,
7 the complexity of this case, none of us
8 need to repeat. From my point of view it
9 is this narrow little box that I live in
10 where I see these things going on and I
11 work with, and I think about myself, and so
12 exclusivity really from stay and estimation
13 are so interrelated.

14 MR. KAROTKIN: I couldn't agree
15 more, your Honor.

16 THE COURT: One of the
17 questions we will discuss, whether it is on
18 Tuesday or Wednesday or some other time,
19 is, you know, how does it all fit, what do
20 we do about the relief from stay. And I
21 don't want this to be today's motion -- I
22 mean next Wednesday's motion to be argued
23 today, but they are all interrelated and
24 that's one of the challenges for all of us.

25 MR. KAROTKIN: I totally

1 agree. Thank you, sir.

2 THE COURT: Thank you,
3 Mr. Karotkin.

4 Why don't we go with the UCC
5 and then we will go to the TCC, assuming
6 you want to be heard.

7 Greg, did you get the duty
8 today?

9 MR. BRAY: I did. I will take
10 a shot at it, your Honor.

11 THE COURT: Well, you had nice
12 things said about you. That's a good
13 thing.

14 MR. BRAY: It is unusual.
15 Thank you.

16 Your Honor, Gregory Bray,
17 Milbank, counsel for the Official Creditors
18 Committee.

19 Where to start? Last time we
20 were here, Mr. Dunn told the Court that the
21 UCC would work in good faith with the CPUC
22 and the Governor on the requested protocol.
23 As you have heard, unfortunately, there was
24 not a resolution that could be reached. An
25 interesting structure, but the structural

1 problems that are inherent in trying to
2 come up with a solution that doesn't
3 involve determination of exclusivity, they
4 are significant, and the Committee --

5 THE COURT: I'm sure there are.

6 MR. BRAY: -- has concluded
7 from that that really at a practical and
8 legal matter right now, we think the best
9 path forward to resolve the competition
10 that every party so far has stated they
11 want is for the Court to take up the
12 exclusivity motion next week and make a
13 decision on that.

14 A comment that I am reminded
15 Mr. Dunne made last time is that realizing
16 there was this potential for not having
17 agreement on a protocol would suggest that
18 it might be good to have a plan B protocol,
19 which would be a protocol that would be
20 tethered to the Court's decision on
21 terminating exclusivity premised on the
22 fact the Court did terminate exclusivity
23 and set forth a timeline or a structure for
24 managing the process to attempt to mitigate
25 the discord that people are expressing

1 concern about.

2 THE COURT: Well, do you agree
3 with me, if I were to pick exclusivity, you
4 know, the next thing, the next big ticket
5 item I think, leaving aside whether
6 estimation has to come first or late, is to
7 figure out how to be efficient in terms of
8 any disclosure statement phase before you
9 start to get to --

10 MR. BRAY: Yes, agreed,
11 absolutely.

12 THE COURT: And if I were on
13 Tuesday to say to these two parties'
14 exclusivity is broken, that doesn't mean
15 the debtor is out of the game. The debtor
16 obviously -- obviously the debtor has the
17 right and no doubt would propose a plan,
18 whether it did it first or second.

19 MR. BRAY: Agreed. The
20 exclusivity does not apply to the debtor,
21 that's the law.

22 THE COURT: Of course.

23 MR. BRAY: So what we are
24 trying to do, your Honor, having gone
25 through this process now is work on this

1 plan B protocol and we hope to file it with
2 the Court before the hearing, and we will
3 of course share it with the key parties and
4 try and see if we can build some consensus
5 around this. But among the other things it
6 will do is attempt to address the issue you
7 just raise is timing for filing a
8 disclosure statement, set forth a timeline.

9 Of course the Court is the
10 ultimate decision-maker in all these
11 issues. We would only proffer this as a
12 potential roadmap to try to move the
13 process along and it is expressly
14 conditioned on the Court having decided to
15 terminate exclusivity. If the Court were
16 to rule the other way then this protocol
17 would be of no value.

18 THE COURT: Sure. But the
19 short answer is if I were to deny
20 exclusivity, excuse me, deny the motion to
21 break it, to terminate it, and if I were to
22 leave the debtor in exclusivity, I would
23 still be pressing debtor's counsel for a
24 timeline.

25 Again, I can't have any -- I

1 can't fix the things that Mr. Kornberg
2 talked about and I can't magically pretend
3 that I know that the legislature will
4 change the deadline. So I would repeat
5 again what I said a couple of hearings ago,
6 my commitment is to make sure that the
7 bankruptcy court or the institution is not
8 the hang-up if we took this into account.
9 And so if I were to say to Mr. Karotkin,
10 you've got no competition yet, but I would
11 still be pressing him for a timeline, and
12 obviously if I terminate as to one or both
13 or more than that, it is going to be the
14 same question. It is still going to be
15 everybody has to work together to have an
16 efficient and effective timetable. Whether
17 your plan B is plan C or something, it is
18 something that you and your committee, I
19 welcome your role.

20 That's critical as kind of an
21 in-betweenener, because, let's face it,
22 Mr. Bray, you know as well as I, if I were
23 to look just at the plan that's on the
24 table from the senior bondholders, their
25 class isn't even impaired. There are two

1 impaired classes and that's the two sets of
2 fire victims and that's it.

3 So somebody has to figure out
4 how to make that work. That's not to say
5 that there wouldn't be the equity or other
6 challenges to the confirmation standards
7 crammed down or what have you, but that's a
8 different discussion.

9 MR. BRAY: I agree with
10 everything you said, your Honor. I don't
11 want to get too far into the exclusivity
12 discussion for Tuesday. I would just
13 repeat myself that we do think it makes
14 sense to go forward Tuesday. We favor
15 competition. I think we have heard from
16 the Governor and the CPUC that they gave
17 competition. I will let Ms. Julian or
18 Ms. Dumas speak for themselves on that
19 issue.

20 As Mr. Kornberg has pointed out
21 so far, the competitive process has proven
22 valuable and to some extent moved this
23 process along, and I think you will hear us
24 argue next week that we favor lifting of
25 exclusivity sooner rather than later,

1 because it will take into account the
2 timeline issues we have, the legislative
3 overlay, and the other issues, and that the
4 sooner you make a decision probably the
5 better for the process so that then people
6 can sit down and sort out the timeline that
7 needs to be agreed to or realized because
8 of the decision that you have made.

9 THE COURT: So that there would
10 be no secrets about it, I hope to be able
11 to make a decision when I hear the
12 arguments. I wasn't intending to take it
13 under advisement and write a 35-page
14 publishable opinion that is due in six
15 months. It may be that I just need to
16 absorb it. But that's my hope is that I
17 will hear the arguments and give it some
18 reflection and issue an oral ruling.

19 MR. BRAY: Understood.

20 THE COURT: I can't promise it.
21 I will try.

22 MR. BRAY: We will take a shot
23 at this protocol that we will file with the
24 Court. Obviously I guess we will work for
25 some consensus around it. It is certainly

1 not binding on anyone. We don't want to
2 step on the Court's toes in any fashion.
3 It is simply there to try and assist the
4 process.

5 THE COURT: I take it you would
6 like to continue things this way rather
7 than to take kind of another radical
8 departure of my looking to the UCC to be
9 sort of a mediator of this issue or maybe
10 you already are playing that role
11 effectively along with the Governor and the
12 CPUC, but to take further time out, I mean,
13 you don't want me to extend that two-week
14 moratorium next Tuesday?

15 MR. BRAY: No. Having been
16 through the last two weeks, we believe the
17 best thing for the process is for the Court
18 to have the hearing next week and rule on
19 the merits.

20 THE COURT: Okay.

21 MR. BRAY: Thank you, your
22 Honor.

23 THE COURT: Thank you,
24 Mr. Bray. Ms. Dumas?

25 MS. DUMAS: Good morning, your

1 Honor, or good afternoon. It is Cecily
2 Dumas, Baker Hostetler, on behalf of the
3 Official Committee of Tort Claimants.

4 We, the TCC, had positive and
5 constructive meetings with the CPUC and the
6 office of the Governor over the course of
7 the last week and a half. We also have
8 been in communication with the other major
9 stakeholders in the case.

10 We understand the desire of all
11 the parties to really try to make the
12 AB-1054 deadline and acknowledge, as I
13 think your Honor mentioned, and
14 Mr. Karotkin mentioned, you know, the sort
15 of gating issue, or whatever term you want
16 to ascribe to it, of the claims estimation
17 process.

18 What we have indicated to the
19 Governor's office and the PUC is that the
20 Tort Claimants Committee is in the process
21 of developing a protocol for claims
22 estimation. As your Honor is aware, the
23 only -- the only statement of the TCC thus
24 far relative to claims estimation process
25 relates to the Tubbs motion for relief from

1 stay, but there are 18 or 19 spires,
2 however you count them, all of which PG&E
3 denies legal liability completely, so we
4 are zero to however billions the tort
5 claimants believe they are entitled to.

6 So it is going to be a process
7 that will be needed to be hammered out with
8 the debtors. It may be a combination
9 overseeing by your Honor of district court
10 mini trials, state court trials, estimation
11 proceedings. Unlike other mass tort cases,
12 we have a different causal event for each
13 fire, and with PG&E I guess marginally
14 conceding causation, but not liability, you
15 know, we are in 17 or 18 times the trouble
16 of every other mass tort case that a
17 bankruptcy judge has had to deal with when
18 there has been one causal event, either
19 asbestos or an IUD or other causal events
20 that gave rise to mass tort claims.

21 THE COURT: Well, since for
22 purposes of estimation PG&E, through
23 Mr. Orsini the other day, conceded that
24 they admit to having been the cause, the
25 only issue is they don't admit being

1 liable. Is that really therefore 18
2 different causals or is it 18 different
3 fires all of which have their own
4 estimation of damages?

5 I mean, if you think --

6 MS. DUMAS: Your Honor, I'm so
7 glad you asked that question. There is a
8 magic act in Las Vegas that is very close
9 to Mr. Orsini's description of what PG&E's
10 actual position is. I believe what he told
11 your Honor the other day -- well, first of
12 all, PG&E does not concede legal liability
13 at all because it contests strict liability
14 under --

15 THE COURT: But as big a
16 question as that is, it is an easy question
17 to frame and a difficult question perhaps
18 to brief, but it is a judicial decision to
19 take, say, yes or no.

20 MS. DUMAS: Yes, your Honor.
21 That is an easy one and, frankly, it is
22 insulting that they even put that on their
23 process.

24 THE COURT: Don't argue the
25 merits.

1 MS. DUMAS: I'm not. I'm not
2 arguing the merits.

3 THE COURT: Okay.

4 MS. DUMAS: We will address
5 that in due time. But what PG&E is saying,
6 it wasn't negligent with respect to any
7 fire. I believe what your court didn't
8 comprehend, because it was said very
9 carefully, PG&E will only admit that its
10 equipment caused the fires in the context
11 of estimation proceedings, not trial.

12 THE COURT: No, I heard that.
13 I heard that. I heard that exactly.

14 Well, Ms. Dumas, I don't want
15 to distract, I want to stick with the
16 subject that we started with and hear from
17 you, but I will just make this statement,
18 don't confuse the fact that who the
19 judicial officer might be. You made it
20 clear, and I haven't studied your responses
21 to the estimation motion, but I know that
22 your briefs -- brief does attempt to
23 respond to the questions I asked.

24 But as I see it, if the debtor
25 says for purposes of estimation, it means

1 that and if the inverse condemnation
2 principle comes out the way you think it
3 will, I mean, you can make a very large
4 estimation for all the damages, except for
5 Tubbs.

6 So be prepared to focus on
7 those fine points after the debtors file
8 their response -- their reply, rather, to
9 the estimation motion, and whether we deal
10 with it next Wednesday or sometime after
11 that, those are very much early-on issues
12 that have to --

13 MS. DUMAS: Yes, your Honor.

14 THE COURT: Let's go back to
15 the question of what to do about what
16 Mr. Kornberg brought up about this whole
17 topic.

18 MS. DUMAS: Just one last
19 observation. I would be thrilled, as would
20 all of the tort claimants, if you were
21 correct that what the estimation proceeding
22 will be will consist of damages estimation.
23 I don't believe that's PG&E's position. I
24 hope I am wrong, fervently hope I am wrong,
25 your Honor.

1 So back to the plan process,
2 the TCC has been in communication, as I
3 said, with the other parties in the case.
4 We are mindful of the outside time
5 constraints imposed. We are mindful that
6 we have to have parallel tracks of claim
7 estimation and plan process for the very
8 reasons that Mr. Kornberg eloquently
9 identified at the beginning of the hearing.

10 We will do our best to work
11 with the other parties. We have been in
12 communication with the Official Committee
13 of Unsecured Creditors about its plan
14 protocol. We hope to reach agreement so at
15 least the TCC can support a plan protocol
16 that is approved by the Court. We will
17 work around whether the debtor retains
18 exclusivity longer or whether the
19 exclusivity is terminated as a result of
20 the hearings next week.

21 Suffice to say, without arguing
22 that point, that the TCC acknowledges that
23 the need at this point for speed on all
24 fronts and the possibility that if the
25 Court goes forward with each plan seriatim

1 as opposed to all at once, we may end up
2 with a busted plan and we will be exactly
3 where Mr. Kornberg doesn't want to be in
4 January or February.

5 THE COURT: Okay. Is that it
6 for now?

7 MS. DUMAS: Yes, sir.

8 THE COURT: Thank you. Thank
9 you, Ms. Dumas.

10 I said I would call on anyone
11 else. Just tell me who would like to speak
12 and let me hear from you.

13 MR. QURESHI: Good afternoon
14 your Honor. For the record, Abid Qureshi,
15 Akin Gump Strauss Hauer & Feld, on behalf
16 of the Ad Hoc Noteholder Group. Just a few
17 comments, your Honor, and I will be brief.

18 First, the Ad Hoc Noteholder
19 Committee is very appreciative of the
20 efforts of both the Governor's office and
21 the CPUC and of course we also welcome the
22 role of the UCC in working towards a
23 proposal.

24 As your Honor is no doubt
25 aware, we did in advance of this hearing

1 file with the Court a proposed protocol of
2 our own. It was a protocol that of course
3 contemplated the termination of
4 exclusivity, and there is just a couple of
5 points raised in there, your Honor, that I
6 would like to discuss with the Court. It
7 was guided by three principles, three
8 principles that we understand to be
9 supported both by the Governor and by the
10 CPUC, and that is a plan process that is
11 competitive, that is fair, and that is
12 transparent, and we believe, your Honor,
13 that the proposal that we filed with the
14 Court accomplishes those things.

15 Now, if the UCC can improve
16 upon that, your Honor, we absolutely
17 welcome it and we look forward to seeing
18 what they file in advance of next week.

19 Your Honor, I wanted also to
20 comment on a couple of things that came up
21 in your Honor's colloquy with Mr. Kornberg,
22 three things in particular.

23 First, your Honor raised the
24 issue of who should be the decision-maker
25 when it comes to competing plans.

1 Absolutely 100 percent this court.

2 THE COURT: Again,
3 decision-maker as to what? Ultimately the
4 confirmation, but --

5 MR. QURESHI: Decision-maker as
6 to what? Decision-maker as to whether
7 there should be one or two or three or more
8 competing plans?

9 THE COURT: Right, right.

10 MR. QURESHI: We absolutely
11 think that it is unquestionably the role of
12 this court to play that gate-keeping
13 function, and that is what our protocol
14 contemplates.

15 The second point that arose in
16 your Honor's colloquy with Mr. Kornberg
17 related to the specter of chaos in the plan
18 process. Again, I think your Honor is
19 absolutely right, which is it is this court
20 that can and no doubt will control that
21 chaos and ensure that chaos never breaks
22 out.

23 THE COURT: Well, controlling
24 chaos is sort of a -- I like to think there
25 won't be any chaos.

1 MR. QURESHI: Again, your
2 Honor, the interim deadlines that we set
3 forth in our protocol, the steps along the
4 way --

5 THE COURT: I haven't studied
6 what you filed, only what is coming up in
7 the tunnel, not at the end of the tunnel.

8 MR. QURESHI: Understood. And
9 I certainly won't get into that, into our
10 protocol in any greater detail than I have,
11 other than to say there are a series of
12 milestones along the way designed precisely
13 to avoid chaos with this court serving as
14 the gate-keeping function, and we think it
15 is eminently doable without chaos ensuing.

16 The last point that I want to
17 comment on, your Honor, is, again, that
18 arose with Mr. Kornberg, the impact on
19 negotiations, of whether this court
20 terminates or does not terminate
21 exclusivity.

22 I heard, your Honor, from
23 Mr. Kornberg two things that frankly I have
24 difficulty reconciling. One, he suggested
25 that continued exclusivity might actually

1 spur negotiations. But then Mr. Kornberg
2 also noted that the filing of the Ad Hoc
3 Committee's plan was a welcome development
4 and one that galvanized people in a
5 positive way, to use his words, and we
6 agree that it did, but the fact is, your
7 Honor, that while there has been
8 exclusivity, it has not spurred
9 negotiations. It is kind of remarkable
10 that with our plan term sheet out there the
11 debtors have not engaged with our group in
12 any meaningful way.

13 THE COURT: Again, one thing
14 I'm trying to avoid is discussions about
15 what have -- have or have not happened sort
16 of outside the courtroom.

17 MR. QURESHI: Fair enough.

18 THE COURT: I can draw my own
19 inferences, but I don't want to be -- I
20 don't want to judge, I don't want to pick
21 good guys and bad guys.

22 MR. QURESHI: That was not the
23 purpose of my comment, your Honor.

24 Suffice to say, that we think
25 the best way to galvanize the parties to

1 have a meaningful negotiation is for there
2 to be a process coming back to those three
3 principles, that is competitive, that is
4 fair, and that is transparent.

5 THE COURT: Well, I mean,
6 competitive is good enough. Competing
7 plans are by definition competitive. In
8 fact, your three items there and your
9 protocol are only so good as you are
10 convincing me next week to break
11 exclusivity for your client, right?

12 If I say no, then you've got
13 to -- I don't know what you have to do.
14 No, I understand. That's really what it
15 comes down to, is it better to stick with
16 the status quo or to open up the options.

17 MR. QURESHI: And we think,
18 your Honor, that ultimately, and I won't
19 get into the merits, but that ultimately
20 time in this case just does not allow for a
21 serial plan process, that competition and
22 proceeding on multiple fronts at the same
23 time is the way to go.

24 So with that, your Honor, we
25 look forward to next Tuesday and if the

1 Court has any questions I'm happy to
2 address them.

3 THE COURT: Thank you. No, I'm
4 fine. Anyone else want to be heard?

5 MR. FELDMANN: Your Honor, on
6 the phone, I'm not sure what is going on in
7 the courtroom, could I be heard?

8 THE COURT: Yeah. Who is that?

9 MR. FELDMAN: Your Honor, it is
10 Matthew Feldman from Willkie Farr &
11 Gallagher on behalf of the Ad Hoc Committee
12 of Subrogation Claims.

13 THE COURT: Go ahead,
14 Mr. Feldman, please.

15 MR. FELDMAN: I will be very
16 brief.

17 Your Honor, we were supportive
18 when we were in front of your Honor on July
19 24th about attempting to enter into a
20 protocol. For all the reasons discussed
21 and not discussed, that's not been
22 successful. Our view, your Honor, is at
23 this point going down the protocol, whether
24 it is the UCC, whether it is the ad hoc
25 group of bondholders, it is simply

1 unnecessary.

2 If the Court is inclined to
3 lift and terminate exclusivity next Tuesday
4 for either our group or the ad hoc group of
5 bonds, or both, it seems to me that the
6 Court can accomplish everything that was
7 intended by these various protocols by
8 simply putting out a scheduling order that
9 will create deadlines for people to file
10 plans, whether it is our plan, the debtor's
11 plans, or someone else who comes in and
12 seeks termination of exclusivity, and go
13 from there, because I am very cognizant, as
14 are my clients, of the June 2020 deadline.

15 Very interesting to hear
16 Mr. Kornberg's statement about how long the
17 CPUC process will take, and so from our
18 perspective, we think competition is good
19 and we think the Court is more than capable
20 of managing the process and that's how we
21 urge it to go forward.

22 Thank you, your Honor.

23 THE COURT: Okay, Mr. Feldman.
24 Yeah, I understand that, and what you say,
25 again, is consistent with your motion to

1 terminate it, and if I grant your motion or
2 grant the senior bondholders' motion,
3 whether we call it a formal protocol or a
4 court scheduling order, I will still need
5 advice and guidance from the players as to
6 what that protocol ought to be, and timing
7 and so on, you are right.

8 If either or both of you get
9 that motion granted, it doesn't mean you
10 are going to file a hearing on confirmation
11 on next week. We are going to deal with it
12 in some orderly fashion. Thank you for
13 your comments.

14 All right, the gentleman that
15 came up, I didn't get your name.

16 MR. JOHNSTON: Good afternoon,
17 your Honor.

18 THE COURT: I'm trying to
19 recognize everybody, but I can't.

20 MR. JOHNSTON: First time
21 appearing in this case. Jim Johnston of
22 Jones Day on behalf of certain --

23 THE COURT: I think your
24 partner was here for a prior hearing.

25 MR. JOHNSTON: He has been here

1 several times, yes.

2 Your Honor, we heard a lot of
3 discussion about exclusivity and whether or
4 not you should break exclusivity today.
5 You have read in our papers, you will hear
6 next week, we do not think you should do
7 so, particularly given the June 30 date
8 that is looming in everyone's minds.

9 THE COURT: Don't turn this
10 into your motion for that.

11 MR. JOHNSTON: I'm not going to
12 do so. I'm going to say that we believe
13 that the debtors are the best wards of the
14 process going forward.

15 But what I rose to say, though,
16 and I know I don't have to tell you, but
17 the Code gives you all the tools to deal
18 with what might happen if you do determine
19 that there is cause to terminate
20 exclusivity. You did it in the first PG&E
21 case and managed it. You can do it in this
22 case.

23 THE COURT: By comparison, it
24 was awful easy.

25 MR. JOHNSTON: I didn't have

1 the privilege of living through the first
2 PG&E case, but it sounded like a heck of a
3 lot of fun.

4 THE COURT: Ask Mr. Kornberg.

5 MR. JOHNSTON: I think your
6 Honor in your commentary with Mr. Feldman
7 hit the nail on the head, which is if you
8 do decide to terminate exclusivity, you are
9 going to want to develop a scheduling
10 order, a, quote/unquote, plan B protocol
11 with input from the parties. We heard
12 reference from the Committee today saying
13 that boy, they may file something on Monday
14 night. We heard reference from Mr.
15 Qureshi on behalf of the senior bondholders
16 and, boy, they filed something yesterday.

17 THE COURT: Actually, they
18 filed it I think a couple of days earlier
19 in connection with their comment on the
20 efforts that the Governor's office -- I
21 mean, it doesn't matter what date they
22 filed it. They did file it prior to this
23 morning. I just haven't looked at it.

24 MR. JOHNSTON: I don't know if
25 it was 24 hours ago or 48 hours ago. It is

1 not something that will be before the Court
2 on Tuesday.

3 So we would submit, let's not
4 put the cart before the horse, that lets
5 consider exclusivity on Tuesday and if in
6 fact you do decide that exclusivity should
7 be terminated in some way, shape or form,
8 there will need to be a reasoned process
9 for dealing with what comes next.

10 THE COURT: Right. I did say
11 to Mr. Qureshi specifically his protocol
12 and his three points about competitive, I
13 said that is fine unless I deny your motion
14 in which case you are back on hold. I
15 mean, it is the same, I understand. It is
16 the same with you. If I grant it, then you
17 are going to be frustrated with the
18 position you're in, but that doesn't mean
19 you aren't going to be part of the process.

20 MR. JOHNSTON: No, I understand
21 that, your Honor. And the point simply was
22 especially if there is going to be
23 competing, quote/unquote, plan B protocols
24 as to what happens with competing plans,
25 that needs to be a reasoned process and it

1 can't be something that is decided on the
2 fly next week.

3 THE COURT: And Mr. Johnston, I
4 wouldn't tell people they can't file
5 things. I can only absorb so much. And
6 the more people file, the more stuff I'm
7 just going to have to deal with when I can.

8 So, you know, it is true, and
9 I'm sticking with the exclusivity and the
10 oppositions, and that is the number one
11 topic for Tuesday.

12 MR. JOHNSTON: Thank you, your
13 Honor.

14 THE COURT: Thank you very
15 much.

16 Anyone else want to be heard?
17 Again, I don't mind hearing from you but I
18 also don't intend to take any action and I
19 do have a couple of other motions that we
20 would like to do today. So unless -- I
21 have asked for, invited, and no one is
22 coming forward, so I'm prepared to
23 terminate today's hearing on what we just
24 called the status conference, for lack of
25 anything else, and thank you all for your

1 comments and say that I will pick up my
2 responsibility to do what I have to do come
3 Tuesday when I hear the arguments on the
4 exclusivity motions.

1 C E R T I F I C A T I O N
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5 I, TODD DeSIMONE, a Registered
6 Professional Reporter and a Notary Public,
7 do hereby certify that the foregoing is a
8 true and accurate transcription of my
9 stenographic notes to the best of my
10 ability from the audio file supplied.

11 I further certify that I am not
12 employed by nor related to any party to
13 this action.
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18 TODD DeSIMONE, RPR
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